

Message Text

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E.O. 11652: N/A

TAGS: BMEP, CS

SUBJECT: LOCOMOTIVE TENDER

REF: STATE 204377

SUMMARY: FIRST LOCOMOTIVE TENDER APPARENTLY THROWN OUT ON LEGALLY DEFENSIBLE GROUNDS THAT SPECS DEFINED TOO NARROWLY. SPECIAL INTEREST QUITE POSSIBLY INVOLVED IN DECISION BUT NO EVIDENCE HIGH LEVEL POLITICAL PRESSURE. G.E. AGENT OPTIMISTIC RE. SECOND TENDER. END SUMMARY

1. OUR UNDERSTANDING BASED ON DISCUSSIONS WITH G.E. LOCAL AGENT AND OTHERS IS THAT ORIGINAL LOCOMOTIVE TENDER THROWN OUT BY ATLANTIC COAST RAIL AND PORT AUTHORITY, JAPDEVA, ON LEGALBY DEFENSIBLE GROUNDS THAT SPECIFICATIONS WERE TOO NARROWLY DEFINED WITH RESULT THAT G.E. WAS ONLY BIDDER QUALIFYING. DEPARTMENT SHOULD BEAR IN MIND THAT WITH PURCHASES OF THIS SIZE (14 LOCOMOTIVES ON THE ORDER OF \$3 MILLION) THE POSSIBILITY IS ALWAYS PRESENT FOR JOCKEYING BY SPECIAL INTERESTS. WE DO NOT DISCOUNT THIS MAY HAVE HAPPENED HERE BUT FOUND NO EVIDENCE OF HIGH LEVEL, POLITICAL PRESSURES BROUGHT IN EFFORT TO INFLUENCE BIDDING PROCESS. G.E. AREA MANAGER HOLMES (WORKS OUT OF MEXICO) DUE TO DISCUSS SALE OCTOBER 17 WITH JAPDEVA.

2. G.E. AGENT APPEARS CONFIDENT THAT G.E. IS STILL FRONT RUNNER FOR SECOND BID. ROMANIANS
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WERE ACTUALLY UNDER G.E. ON FIRST TENDER BUT DID NOT

MEET SPECS. ROMANIANS ALSO OFFERED BETTER FINANCING TERMS THAN G.E. ABLE TO DO WITH EXIMBANK FINANCING. ROMANIAN TERMS WERE 5 PERCENT DOWN, 15 PERCENT ON DELIVERY AND 8 YEAR TERMS AT 6 AND 1/4 PERCENT INTEREST. G.E. PACKAGE OFFERED AVERAGE 7 1/2 PERCENT INTEREST FOR 8 YEARS. ON SECOND GO-AROUND ROMANIANS AGAIN ARE LIKELY TO BE LOWER BIDDERS, PARTICULARLY SINCE THEY CAN OFFER DIESEL HYDRAULIC ENGINES WHICH WERE SPECIFICALLY EXCLUDED IN FIRST TENDER. NEVERTHELESS, DIESEL ELECTRIC UNITS ARE GENERALLY CONCEDED AS SUPERIOR AND LESS EXPENSIVE IN THE LONG RUN THAN MORE BREAK-DOWN PRONE DIESEL HYDRAULIC UNITS. MOREOVER THERE ARE NOW 36 G.E. LOCOMOTIVES IN COUNTRY AND NEW G.E. UNITS WOULD BE MUCH MORE COMPATIBLE WITH JAPDEVA'S OPERATIONS THAN WOULD INTRODUCTION OF ROMANIAN EQUIPMENT. (WE HAVE HEARD BUT SO FAR WITHOUT CONFORMATION THAT THE PACIFIC RAILWAY IS NOT TOO HAPPY WITH RECENTLY PURCHASED FOUR ROMANIAN ENGINES.)

3. SHOULD G.E. LOSE OUT ON SECOND TENDER WE UNDERSTAND LOCAL AGENT PREPARED TO APPEAL. IMPORTANT THING TO BEAR IN MIND ABOUT COSTA RICA IS THAT WHILE MANIPULATION OF INDIVIDUAL TENDERS CERTAINLY IS POSSIBLE--AND HAPPENS, PARTICULARLY BY SLANTING SPECS TOWARD DESIRED PRODUCT--BIDDING PROCESS ITSELF IS FORMALIZED AND RIGHTS OF ALL PARTIES RECOGNIZED WITH RESULT THAT THE SYSTEM ITSELF IS DIFFICULT TO CORRUPT FOR POLITICAL OR OTHER REASONS. VAKY

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